

## EXHIBIT 2

Page 1

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF PUERTO RICO  
Case No. 17-BK-3283-LTS

3 Case No. 17-BK-3283-LTS

4 In re:

5 THE FINANCIAL OVERSIGHT AND MANAGEMENT  
BOARD FOR PUERTO RICO.

as representative of

7

**THE COMMONWEALTH OF PUERTO RICO, et al.,**

8

### **Debtors.**

9

Case No. 17-BK-4780-LTS

10

In re:

11

THE FIG

12

as representative of

15

**Debtor.**

16

- 6 , 2023

9 : 31 a . m .

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VIDEOTAPED DEPOSITION of DAVID  
BROWNSTEIN, held at the offices of Kramer  
Levin Naftalis & Frankel LLP, located at 1177  
Avenue of the Americas, New York, New York  
10036, before Anthony Giarro, a Registered  
Professional Reporter, a Certified Realtime  
Reporter and a Notary Public of the State of  
New York.

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2 Q How long prior to execution  
3 of the agreement that's Exhibit 91 did  
4 those negotiations begin?

5 A I don't recall.

6 Q Do you know if it was days  
7 or weeks or months?

8 A It was either weeks or  
9 months.

10 Q Could it have been less than  
11 a month?

12 MR. MERVIS: Objection to  
13 the form.

14 MS. SPILLANE: Objection.

15 A I don't recall.

16 Q This is, I think, a yes, no  
17 or I don't know question.

18 Was the mediation team  
19 involved in negotiations leading to the  
20 fuel line lenders' PSA?

21 MR. MERVIS: Yeah. I don't  
22 see how that doesn't -- I'm going to  
23 instruct him not to answer that  
24 question.

25 Q Did you discuss negotiations

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2 you --

3 Q Let me try it a different  
4 way. I don't want you to answer a  
5 question you don't understand.

6 What information, if any,  
7 did you provide to board members  
8 concerning proposals to the fuel line  
9 lenders?

10 A All proposals to and from  
11 the fuel line lenders were reviewed and  
12 approved by the board.

13 Q How many rounds of  
14 back-and-forth proposals and  
15 counterproposals were there?

16 MR. MERVIS: I think I have  
17 to instruct the witness not to answer  
18 that question on the basis of  
19 mediation confidentiality.

20 Q You plan to testify at the  
21 confirmation hearing, do you not, that  
22 the fuel line lenders' settlement is  
23 reasonable; correct?

24 A Yes.

25 Q So I'm just trying to get at

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2 the process of negotiating that agreement  
3 as between the oversight board and the  
4 fuel line lenders.

5 And so counsel's instructed  
6 you not to answer a few questions  
7 already. There may be more such  
8 instructions. I just want to make clear  
9 that you won't plan to testify at the  
10 confirmation hearing as to information  
11 concerning the negotiations that you're  
12 being instructed not to testify to today.

13 MR. MERVIS: I don't know  
14 that it's for him to say. But I  
15 think that depending on what the  
16 questions are -- let me put it this  
17 way. I think that the instructions  
18 would certainly provide opponents of  
19 the plan with a basis to make  
20 arguments about not being allowed to  
21 take discovery on certain things,  
22 hard to deal with it in a vacuum.  
23 But you asked him a particular  
24 question about the involvement of the  
25 mediators which I think that squarely

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1 DAVID BROWNSTEIN  
2 puts the mediators into the mix,  
3 which is not, I don't think -- we  
4 won't do that. And you asked the  
5 question about how many proposals  
6 went back and forth. And I think  
7 that that process is -- that process  
8 does get into mediation privilege. I  
9 realize that some of these are  
10 judgment calls. And people can  
11 disagree. But that's where I'm  
12 landing.

13 MR. MADDEN: Maybe to cut to  
14 the chase, if I were to ask  
15 additional questions about the  
16 process as between the oversight  
17 board and the fuel line lenders and  
18 mediation that led to the agreement  
19 to the fuel line lenders' PSA, is it  
20 fair to say you'll instruct the  
21 witness not to answer those process  
22 questions?

23 MR. MERVIS: Probably. But  
24 I can think, for example, of a -- and  
25 I don't mean to play -- so, for

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2 example, you know, who was this  
3 negotiation counterpart, I think  
4 that's fair. But there's a place.  
5 There's a line; right? It's not  
6 necessarily a bright line. One  
7 bright line, I will say, in terms of  
8 what went back and forth, yeah, that,  
9 I'm going to instruct not to answer.

10 Q You've already told me who  
11 your counterparts are. So I'll move on.

12 Mr. Brownstein, what  
13 benefits, if any, does the fuel line  
14 lenders' PSA provide to PREPA?

15 MR. MERVIS: Just note my  
16 objection to the form. But you can  
17 answer.

18 A As I said previously,  
19 without that, without knowing what amount  
20 we were going to be paying them and  
21 whether, in fact, they were -- which  
22 means whether they were entitled to  
23 priority, we wouldn't have been able to  
24 make an offer to the bondholders that  
25 took the wallet we have available and put

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2 it on the table which is what our goal  
3 was.

4 Q Any other benefits to PREPA  
5 from the fuel line lenders' PSA?

6 MR. MERVIS: Same objection.

7 A I mean it's a settlement.  
8 Every settlement's got the benefit of  
9 eliminating litigation and moving on to  
10 what PREPA's job is, which is, you know,  
11 either a loan or with the operating  
12 entities like LUMA and Genera, focusing  
13 on what their job is supposed to be which  
14 is to create a resilient system that's  
15 sustainable for the public in Puerto  
16 Rico.

17 Q Any other benefits?

18 MR. MERVIS: Same objection.

19 Matt, I don't think you're going to  
20 mind this. The reason I'm objecting  
21 is that, as you mentioned, he was a  
22 30(b)(6) designee. And I'm not sure  
23 from your questioning whether we're  
24 doing 30(b)(6) or his personal  
25 knowledge. So that's the basis for

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2 my objections to this.

3 MR. MADDEN: These questions  
4 would go to both. So he's both been  
5 designated as a 30(b)(6) witness on  
6 the subject to the fuel line lenders'  
7 PSA. He's also been identified by  
8 the board's disclosures as someone  
9 who expects to testify at the  
10 confirmation hearing regarding the  
11 benefits of the PSA.

12 MR. MERVIS: That's helpful.

13 Got it.

14 Q So if you need me to  
15 distinguish between the two capacities,  
16 please let me know. But for the purposes  
17 of this question, I'm just trying to  
18 exhaust your knowledge as to the benefits  
19 of PREPA from the fuel line lenders' PSA.

20 So the question on the table  
21 was, other than what you've just  
22 identified, are there any other benefits?

23 A The benefit I would suggest  
24 to you of each settlement that we have  
25 is, A, they stopped our litigation

1                   DAVID BROWNSTEIN  
2 fighting with each of them. But the  
3 other benefit is it proves out from my  
4 perspective that because we have them,  
5 that's not why we did them, but that what  
6 we are offering, we have sophisticated  
7 institutional investors who have agreed  
8 to a structure that we believe provides  
9 the value that it provides, meaning we're  
10 giving you a bond that at 6 percent is  
11 worth par; right?

12                  And National concurs with  
13 that, otherwise they would have not  
14 accepted it in its form. So everybody  
15 cares about the same things from COFINA  
16 to the Commonwealth. We care about those  
17 same things at the board, making sure  
18 we're trying to create the most valuable  
19 instrument for the bondholders.

20                  And I believe that the  
21 markets have borne out that we did what  
22 we said we would do in creating a strong  
23 marketable instrument that provides the  
24 value we said it provided at Citi on  
25 behalf of the board.

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2 A Our job stood the same job  
3 we did there for the benefit of the  
4 holders. And I think we have proved out  
5 we have the best interest of everyone  
6 which is what the board cares about in  
7 making sure we aren't creating a problem  
8 bond that doesn't have market access at  
9 the rates we set.

10 Q What are the risks to PREPA  
11 if it were to lose the priority  
12 litigation?

13 MS. SPILLANE: Objection to  
14 form.

15 MR. MERVIS: Same.

16 A Well, as I've said, if we  
17 didn't have a settlement with them, we  
18 couldn't settle with the bondholders  
19 because we didn't know how much we had  
20 available to pay the bondholders. So the  
21 risk is we'd be in litigation for a very  
22 long time.

23 Q Any other risks to PREPA if  
24 it were to lose the priority litigation?

25 Let's take that back.

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2 what's in the indenture to be filed  
3 tomorrow, is that you can't answer those  
4 questions because it's not final?

5 MR. MERVIS: Object to the  
6 form.

7 A I can't answer because I  
8 don't -- I can't answer because I don't  
9 know; right? To this moment, I don't  
10 know what changes are being made or not.  
11 I know what discussions we've had on  
12 things that could change. But I don't  
13 know whether they will be changed or not.

14 MR. MADDEN: And if I were  
15 to ask the witness about discussions  
16 about things that could change to the  
17 indenture, am I correct that you  
18 would instruct the witness not to  
19 answer those questions, counsel?

20 MR. MERVIS: Yes.

21 Q If you turn to page 28 of 32  
22 of the PDF, it's the last page of the  
23 term sheet, what are the consummation  
24 costs covered here?

25 A Well, one set of costs that

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1                   DAVID BROWNSTEIN  
2   we are paying, which isn't the  
3   consummation cost, but it helps you  
4   define it a little bit, is the  
5   reimbursement for professional expenses  
6   which does not include any costs for  
7   litigation.

8                   As you probably know, we  
9   don't pay someone to litigate with us or  
10   against us, I should say. So that's one  
11   piece of this. And the consummation  
12   costs are simply for their participation  
13   in negotiating a settlement which is  
14   consistent with what we've done in other  
15   cases.

16                 Q         Focusing first on the  
17   professional fee reimbursement, this  
18   refers to documented professional fees.

19                 What does that mean?

20                 A         They need to show us that  
21   they're real fees.

22                 Q         And why is that?

23                 A         Because if they just tell us  
24   they spent \$11 million, what do we have  
25   to back that up? We're a governmental

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1                   DAVID BROWNSTEIN  
2 entity -- right? -- PREPA, who's paying  
3 these bills. You don't pay someone's  
4 bill without the backup. And that's been  
5 the case historically as well.

6                   Q         When you say the  
7 consummation costs are simply for their  
8 participation in negotiating a  
9 settlement, what do you mean by that?

10                  A         Well, they, as you know from  
11 our discussions today, have been involved  
12 since then in working with us as an  
13 example on the indenture, trying to make  
14 sure that everything we are doing creates  
15 the value that people are going to  
16 expect. And that is taking a lot of  
17 their time.

18                  So as a party to the plan,  
19 they are in a position to help us in  
20 structuring issues and the like to make  
21 sure we come up with the right  
22 transaction for all involved.

23                  Q         Will the fuel line lenders'  
24 professional fees associated with  
25 assisting with the indenture be

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2 reimbursable under the first category of  
3 costs we discussed?

4 MR. MERVIS: Objection to  
5 the form.

6 A I believe that estimated in  
7 their -- I don't know the answer. I  
8 believe that it's possible that estimated  
9 in their 11 million was some portion of  
10 the fees, probably not for the indenture,  
11 but for legal work in supporting us  
12 through the plan.

13 Q And then at the bottom of  
14 the term sheet here, there's a category  
15 for release. You see that?

16 A Uh-huh.

17 Q What is the purpose of  
18 including this lease in the agreement?

19 A Well, releasing each other  
20 or others?

21 Q Fair point. Let me try  
22 again.

23 What benefit does the  
24 oversight board gain from releasing the  
25 fuel line lenders under this agreement?

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2 Q And what was the nature of  
3 your involvement in that process?

4 A I worked with the board and  
5 Proskauer to negotiate the agreement we  
6 have with National and the document that  
7 we executed with them.

8 Q And with whom did you  
9 principally interact on the National  
10 side?

11 A I guess I would have to say  
12 Trish would have been my primary contact.

13 Q And what's Trish's full  
14 name, if you know? If you don't recall  
15 right now, that's okay.

16 A She just retired. So I'm  
17 trying to forget her. I didn't really  
18 mean that second part. But I can't tell  
19 you why -- hold on.

20 Q We'll come back to it.

21 A No, no, no. I have to find  
22 it, or I'll kill myself. Ferrari.

23 Q When did negotiations toward  
24 the National PSA began?

25 A During mediation.

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2 Q Early in mediation, middle  
3 in mediation, toward the end?

4 A Early to in the middle.

5 Q Sorry?

6 A Early to in the middle is  
7 the best I can do for you.

8 Q And was the mediation team  
9 involved in those negotiations?

10 MR. MERVIS: That one, I'm  
11 going to instruct the witness not to  
12 answer that question.

13 Q Did you discuss the  
14 National -- do you need a break?

15 A No. Sorry.

16 Q Did you discuss the National  
17 negotiations directly with oversight  
18 board members?

19 A Yes.

20 Q Did you update the oversight  
21 board members on proposals to and from  
22 National?

23 A I think I said this before.  
24 But just to be clear, no proposal was  
25 made to National without board approval.

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2 Q Did the oversight board  
3 members -- strike that.

4 Did the oversight board  
5 approve proposals to National by a vote?

6 A Yes.

7 Q At any point, did an  
8 oversight board member vote against a  
9 proposal to National?

10 MR. MERVIS: I think that  
11 gets into deliberative process  
12 privilege.

13 MR. MADDEN: I'm quite sure  
14 it doesn't. It's already been the  
15 subject of testimony in the case.  
16 You can instruct the witness if you'd  
17 like.

18 MR. MERVIS: Fair enough.  
19 I'm going to instruct him for the  
20 moment. I may withdraw my objection.

21 MR. MADDEN: Fair enough.  
22 Understood. I just want to make  
23 sure. Maybe we'll come back.

24 MR. MERVIS: Okay.

25 Q If you look at Exhibit 92.

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2 A Which one is that?

3 Q That's, sorry, your tab 5.

4 MR. MERVIS: Actually, Matt,  
5 you can go ahead and re-ask that  
6 question, if you want to.

7 Q At any point, did an  
8 oversight board member vote against a  
9 proposal to National?

10 A I have no -- I have no way  
11 of knowing. I'm sorry.

12 Q Were you at the meetings  
13 when the oversight board --

14 A Absolutely.

15 Q Let me finish the question.

16 Were you in attendance at  
17 the meetings when the oversight board  
18 voted on proposals to National?

19 A Yes.

20 Q And you just don't recall  
21 how the members of the oversight board  
22 voted?

23 A No.

24 Q If you look at the  
25 settlement allowance -- excuse me -- the

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2 Before the break, we were  
3 talking about the exchange ratio in the  
4 National PSA; okay?

5 A Yes.

6 Q The 71.65 percent exchange  
7 ratio, that was not the exchange ratio  
8 that the oversight board offered to all  
9 PREPA bondholders under the plan of  
10 adjustment; correct?

11 A Correct.

12 MR. MERVIS: Wait.

13 A Under the plan of  
14 adjustment.

15 MR. MERVIS: I know. Go  
16 ahead. You could answer the  
17 question.

18 Q The offer to all PREPA  
19 bondholders under the plan of adjustment  
20 was a 50 percent exchange ratio; correct?

21 A Correct.

22 Q Why did the oversight board  
23 in the plan of adjustment not offer to  
24 all PREPA bondholders the same  
25 opportunity to settle their bond claims

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2 question as well.

3 Q The oversight board has  
4 disclosed that one of the subjects of  
5 your testimony at the confirmation  
6 hearing will be that the settlement the  
7 oversight board achieved with National is  
8 fair and reasonable; correct?

9 A Correct.

10 Q What is the basis on which  
11 you plan to testify that the National  
12 settlement is fair and reasonable when  
13 all PREPA bondholders were offered only a  
14 50 percent exchange ratio under the plan  
15 of adjustment?

16 MS. SPILLANE: Objection to  
17 form.

18 MR. MERVIS: Object to the  
19 form of the question.

20 You want to hear it back?

21 THE WITNESS: No. I  
22 understand his question.

23 A I just don't know how to not  
24 say it's mediation privilege. So I can  
25 walk it through with you.

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2 MR. MERVIS: I have a  
3 different problem with the question.  
4 I think the witness feels like he  
5 can't answer it as phrased because of  
6 mediation privilege. I think that's  
7 either the answer, or I can talk to  
8 him outside about why he's saying  
9 that. I think there is a fundamental  
10 issue with the question.

11 MR. MADDEN: I want to get  
12 the question right.

13 MR. MERVIS: I think asking  
14 him why he thinks the settlement's  
15 fair and reasonable, that's a  
16 perfectly fair and appropriate  
17 question. It's the last part of your  
18 question where you said when blah,  
19 blah, blah, blah; right? To me,  
20 that's argumentative and is  
21 actually -- it's a disconnect.

22 MR. MADDEN: I understand  
23 the objection. I don't agree with  
24 it. So I'm okay with the question.

25 Q So let me just ask it one

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1                   DAVID BROWNSTEIN  
2 more time. If your answer is you can't  
3 tell me the answer, then that will be  
4 your testimony.

5                   What is the basis on which  
6 you believe the National settlement is  
7 fair and reasonable, given that all PREPA  
8 bondholders were offered only a  
9 50 percent exchange ratio under the plan  
10 of adjustment?

11                  MS. SPILLANE: Objection to  
12 form.

13                  MR. MERVIS: Same objection.

14                  A         Based on your question, I  
15 can't answer it due to mediation  
16 privilege; okay? If you broke it into  
17 pieces, there would be things I could  
18 say.

19                  MR. MADDEN: And given the  
20 witness's response, counsel, do you  
21 instruct him not to provide the  
22 answer?

23                  MR. MERVIS: No. I don't  
24 know. I'd have to confer with him.  
25 I hear what he's saying. I imagine

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2 that I will agree with him as to his  
3 reason. But I haven't heard what the  
4 reason is yet.

5 MR. MADDEN: Let's take a  
6 break.

7 THE VIDEOGRAPHER: The time  
8 is 12:13 p.m. And we're going off  
9 the record.

10 (A short recess was taken.)

11 THE VIDEOGRAPHER: The time  
12 is 12:16 p.m. And we're back on the  
13 record.

14 Q The pending question -- and  
15 I'm just asking if your answer has  
16 changed over the break -- is, what is the  
17 basis on which you believe the National  
18 settlement is fair and reasonable, given  
19 that all PREPA bondholders were offered  
20 only a 50 percent exchange ratio under  
21 the plan of adjustment?

22 MR. MERVIS: So I still do  
23 object to the form. And, again, I  
24 have no issue with the first part of  
25 the question. But based on the

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2 conference that we had, I actually --  
3 I think what he had in mind was  
4 correct, and I will instruct him not  
5 to answer that question.

6 Q Is it your understanding  
7 that there are PREPA bondholders for whom  
8 the only offer the settlement that has  
9 been made to them is the one under the  
10 plan of adjustment?

11 A Correct.

12 Q In fact, there are thousands  
13 of such bondholders; correct?

14 A I don't know that.

15 Q There are many such  
16 bondholders in number?

17 A I don't have that  
18 information.

19 Q For the bondholders who are  
20 not involved in mediation and for whom  
21 the only offer of settlement they've ever  
22 received from the oversight board is the  
23 one in the plan of adjustment, how does  
24 it make it fair and equitable to them  
25 that National was offered and agreed to a

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2 71.65 percent exchange ratio?

3 MS. SPILLANE: Objection to  
4 form.

5 MR. MERVIS: I object to the  
6 form of the question.

7 MR. MADDEN: Let me try it  
8 again.

9 Q Given that there are  
10 bondholders who have only received an  
11 offer of settlement from the oversight  
12 board, that's the one in the plan of  
13 adjustment, which was a 50 percent  
14 exchange ratio, how is the agreement with  
15 National to a 71.65 percent exchange  
16 ratio on its bond claim fair and  
17 reasonable?

18 MS. SPILLANE: Objection to  
19 the form.

20 MR. MERVIS: Objection to  
21 the form.

22 A What I would tell you is  
23 that there's a settlement with National  
24 to deal with all the potential  
25 litigation. And so the settlement pays

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2 them more than it pays other creditors

3 who can vote for or against the plan.

4 Q Were all PREPA bondholders'  
5 claims subject to that pending  
6 litigation?

7 MR. MERVIS: I object to the  
8 form.

9 A Well, I don't believe --  
10 first of all, I don't believe that the  
11 other creditors, other than the monoline  
12 insurers and potential secondary market  
13 purchasers of those bonds, have a  
14 reimbursement claim.

15 Second, what National  
16 accepted were two additional things.  
17 One, that they would not receive a CVI  
18 and, Two, that in the event there was  
19 excess cash flow that would have gone to  
20 settling bondholders through the flow of  
21 funds in the plan, they will only receive  
22 50 percent on the dollar of what is  
23 available to them until the other  
24 accepting bondholders get to the same  
25 recovery that they have.

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2 Q And I want to put aside for  
3 the moment, the treatment of the settled  
4 reimbursement claim that National has  
5 under the PSA.

6 A Okay.

7 Q Just focusing on the  
8 treatment under the PSA of National's  
9 bond claim, were the two terms you just  
10 described different than the ones that  
11 were offered to all PREPA bondholders  
12 under the plan of adjustment?

13 MR. MERVIS: You mean the --  
14 well, okay. Objection to the form.

15 You mean the 50-cent?

16 Q You just described a number  
17 of things National agreed to, an exchange  
18 ratio.

19 A Yeah. I hear you.

20 Q The treatment of the CVI and  
21 some other things.

22 Was that package of terms  
23 the one that was offered to all PREPA  
24 bondholders under the plan of adjustment?

25 MR. MERVIS: That's a

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2 different question. That one, I  
3 object to the form.

4 A I'm not in a position to  
5 answer that.

6 Q You don't know whether  
7 that's the offer of settlement that was  
8 made pursuant to the plan of adjustment?

9 A No. I am not prepared to  
10 answer that, given mediation.

11 MR. MERVIS: I agree with  
12 it, at least the way it's phrased.

13 MR. MADDEN: Maybe I'm  
14 misspeaking. I don't think my  
15 question comes anywhere close to  
16 mediation privilege.

17 Q My question is just whether  
18 the package of terms that you agreed to  
19 with National on its bond claim, is that  
20 the same or different from the offer of  
21 settlement that was made to all PREPA  
22 bondholders under the terms of the plan  
23 of adjustment?

24 A Right. And what I'm saying  
25 to you is, in my view, that answer to

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2 achieved greater than a 71.65 percent  
3 recovery on its bond claim had it not  
4 settled with the oversight board?

5 MS. SPILLANE: Objection to  
6 the form.

7 MR. MERVIS: Object to the  
8 form.

9 A I'm sorry. I need you to  
10 ask the question again.

11 Q Sure.

12 Had National not entered  
13 into a PSA with the oversight board under  
14 the terms of the initial plan of  
15 adjustment filed in December, would  
16 National have stood to recover more than  
17 71.65 percent on its bond claim?

18 MS. SPILLANE: Objection to  
19 form.

20 MR. MERVIS: Objection to  
21 the form.

22 A I think I understand. But  
23 can you say it one more time?

24 Q Sure.

25 Had National not entered

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1                   DAVID BROWNSTEIN  
2        into a PSA with the oversight board, then  
3        in that scenario, under the terms of the  
4        initial plan of adjustment filed in  
5        December, would National have stood to  
6        recover more than 71.65 percent on its  
7        bond claim under any scenario covered by  
8        the plan?

9                   MS. SPILLANE: Same  
10                  objection.

11                 A           No.

12                 Q           What is the nature of  
13        National's settled reimbursement claim?

14                 A           National has a separate  
15        contract with PREPA under which they are  
16        entitled to reimbursement for payments  
17        made to bondholders that is separate from  
18        the bond claim itself. That's why it's  
19        called the reimbursement claim.

20                  And while clearly, we're  
21        settling on that at 20 cents on the  
22        dollar which means there's both risk for  
23        us and risk for them as to whether  
24        they're entitled to that claim.

25                 Q           And the payments that

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2 National has made to bondholders and for  
3 which it seeks reimbursement, does that  
4 comprise principal and interest on the  
5 insured bonds?

6 A I'm sorry. You need to  
7 break that up.

8 Q Okay.

9 Do the sums for which  
10 National seeks reimbursement from PREPA  
11 include principal it's paid to its  
12 insured on account of PREPA bonds?

13 A No. The reimbursement claim  
14 is strictly post-petition interest  
15 claims.

16 Q Understood. I'm trying to  
17 skip ahead.

18 There's a clause in here  
19 that begins, "Provided however" under  
20 reimbursement claim. This is on page 35  
21 of the National PSA. Do you see that?

22 A I see, "Provided further."  
23 Is it above that or below that?

24 Q It's above that. There's  
25 another underlined, "Provided, however."

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2 Q And you're also going to  
3 testify as to the terms of the  
4 settlements?

5 A Yes.

6 Q And that's just going to be  
7 the terms that we've seen in these  
8 documents before the PSAs?

9 MR. MERVIS: Objection to  
10 the form.

11 A Well, it'll be on those, the  
12 bond documents, which will be released  
13 hopefully tomorrow morning, by tomorrow  
14 and other documents that were part of the  
15 overall settlements.

16 Q And you're also going to  
17 discuss the benefits that they provide to  
18 PREPA?

19 A Correct.

20 Q Let's just focus as to the  
21 fuel line lenders' PSA. At those  
22 settlements, I -- I took away from your  
23 testimony that it was putting an end to  
24 the litigation, was the first benefit. I  
25 also heard that the second benefit was it

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2    was able -- it allowed you to define the  
3    universe of payments so you would know  
4    what else was available to settle with  
5    other parties; is that fair?

6                   MR. MERVIS: I object to the  
7    form.

8                   A         Yes. That's fair.

9                   Q         Thank you.

10                  Is there a third point that  
11    you would describe as a benefit to the  
12    settlement with the fuel line lenders?

13                  A         Well, I did describe that  
14    the fuel lines are a sophisticated  
15    institutional investor who has a lot of  
16    experience with municipal bonds. And  
17    they, as well as National, who is also a  
18    sophisticated investor with significant  
19    experience in municipal bonds, both had  
20    to conclude in order to sign on that the  
21    bonds we were offering them would meet  
22    the criteria that they would need, so  
23    that they who aren't long-term investors  
24    in municipal bonds would be able to sell  
25    them at -- into the market at a value

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2 that made economic sense for them.

3 Q And that's a benefit to  
4 PREPA?

5 A That's a benefit to our --  
6 to the entire means to get out of  
7 bankruptcy.

8 Q And these benefits, those  
9 three benefits would also be benefits  
10 for -- to PREPA from the National PSA?

11 A Yes. Sorry. I was talking  
12 about both. No. National's case, not  
13 with respect to the issue of getting to a  
14 known recovery with them obviously.

15 Q Now, in the same paragraph,  
16 it says, "Mr. Brownstein will base this  
17 testimony on his personal participation  
18 in the negotiation of the National PSA  
19 and fuel line lender PSA."

20 My question is, was that  
21 negotiation as to either one of those  
22 PSAs outside of the mediation context?

23 A No.

24 Q So is it your belief that  
25 your personal participation in the

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2 benefits for the fuel line lenders'  
3 settlement, as well as the National  
4 settlement.

5 Here, you indicate on the  
6 following paragraph that Mr. Brownstein  
7 is expected to testify regarding the key  
8 benefit that the oversight board took  
9 into account.

10 Are those the same as the  
11 three items that we discussed previously  
12 with respect to the PSAs or are they  
13 different?

14 A Those are the basic ones,  
15 you know, I need to think about what  
16 other ones we were talking about  
17 previously and see whether they're  
18 valuable enough to include or not. But  
19 those are the three basic ones.

20 Q And that would include --  
21 reading on, that would include the  
22 benefits that the oversight board took  
23 into account with respect to its  
24 resolution of the litigation filed by the  
25 fuel line lenders, regarding the

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2 priority; right?

3 A Correct.

4 Q And what do you anticipate  
5 your testimony to be with respect to  
6 those key benefits regarding the priority  
7 of the fuel line lenders?

8 MR. MERVIS: Object to the  
9 form. But you could answer.

10 A Again, as I said previously  
11 today, the critical pieces, what we were  
12 concerned about is since we have a  
13 limited amount of funds available for  
14 creditors, without knowing what the  
15 amount is that we will be paying the fuel  
16 lines, given we would be going into  
17 litigation, we would either have to  
18 reserve a significant amount of money for  
19 the fuel lines until we knew, or we could  
20 settle with them and, therefore, be able  
21 to negotiate with the bondholders with  
22 knowing what was the free cash flow  
23 available for them.

24 Q Thank you.

25 Moving away from the

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2 disclosure statement and moving towards  
3 the fuel line lender settlement, under  
4 that settlement, why are bondholders  
5 entitled to interest accrual from  
6 December 1, 2022 on the Series A Bonds?

7 MR. MERVIS: I object to the  
8 form.

9 A Well, you're asking why the  
10 fuel line lenders as owners of the Series  
11 A Bonds are entitled to one year's  
12 accrued interest.

13 Q Yes.

14 A Okay. And this is on the  
15 new bonds so you understand; right? That  
16 there's a deemed issuance date on the  
17 bonds, built into our cash flows already  
18 is the cost of that one year's accrual.  
19 If the settlement takes longer than a  
20 year, they no longer receive additional  
21 accrual.

22 So the charge that you're  
23 aware of that we're prepared to pay to  
24 all creditors incorporates already, the  
25 interest accrual from the deemed issuance

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2 date. The reason for the deemed issuance  
3 date is, as I think you know, the fuel  
4 lines are one of several creditors, but  
5 one who has settled with the board who  
6 have entered into several RSAs with us;  
7 okay? And those RSAs have been  
8 terminated for various reasons. The  
9 issue is in getting creditors to agree  
10 today to move forward with an RSA with  
11 us. They're looking to understand what  
12 can keep the deal from closing and when  
13 it can close and what the economic impact  
14 to them of it not closing on that  
15 schedule is.

16 So as part of the settlement  
17 with National -- with the fuel line  
18 lenders, we've agreed to give them a  
19 deemed issuance date. And if the bonds  
20 are issued in less than one year or one  
21 year exactly, they will get accrued  
22 interest on those bonds, on the new  
23 bonds. If it's longer than one year, the  
24 accrual stops. It's not dissimilar,  
25 although it is different, from the

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2 National agreement where National will  
3 receive one cent on its pro rata share of  
4 their bonds.

5 So let me try and help you  
6 think about this. If there are 8 billion  
7 of outstanding bonds, one cent on that  
8 8 billion then divided by all the bonds,  
9 multiplied by National's bonds is what  
10 they'd be entitled to for up to 12  
11 months, subject to approval of the  
12 utility commission, PREB.

13 Q So you view this as interest  
14 on new bonds and not post-petition  
15 interest; is that fair?

16 A No. The difference, as I  
17 said, is that the interest on -- for  
18 National is one cent. It's not equal to  
19 interest on the bonds, on the old bonds.

20 Q I'm still on the fuel line  
21 lenders.

22 A I'm sorry. I apologize.  
23 Yes. It's interest on the new bonds.

24 Q Now, staying with the fuel  
25 line lenders, I mean you're not going to

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2       for the difference in the treatment,  
3       other than the fact that one is a  
4       settlement, and one hasn't been settled?

5                   MR. MERVIS: Objection to  
6       the form.

7                   A       Yes. Again, it was our  
8       position that we have risk with the fuel  
9       line lenders on priority. And we don't  
10      believe we have that risk with you.

11         Q       And that has to do with the  
12      current expense?

13         A       Yes.

14         Q       Do you know if there's any  
15      general unsecured creditors that have  
16      current expense claims?

17         A       No, we don't. We believe  
18      there may be. But we don't.

19         Q       Have you ever heard of a  
20      company called General Unsecured Creditor  
21      as I believe Cedarlake Capital?

22         A       No.

23         Q       If there was a general  
24      unsecured creditor that also had a  
25      current expense claim, would they be

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2 treated similarly in your opinion to the  
3 fuel line lenders?

4 MR. MERVIS: Objection to  
5 the form.

6 A The answer is no. We don't  
7 have a settlement with them. They didn't  
8 negotiate a settlement. And the answer  
9 would be it depends on if they settle and  
10 how that settlement works. As you know,  
11 there have been offers made.

12 Q Now, is it your  
13 understanding that the fuel line lenders  
14 are expressly named in the trust  
15 agreement?

16 MS. SPILLANE: Objection to  
17 form.

18 A I believe what's named is  
19 fuel purchases; right?

20 Q Do you think that the trust  
21 agreement references to the fuel line  
22 lenders whether they're denominated by  
23 some other name?

24 MS. SPILLANE: Objection to  
25 form.

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2 Q Let me talk briefly about  
3 National and that PSA.

4 Is it your understanding  
5 that National has a contractual priority  
6 over unsecured creditors under the trust  
7 agreement or any other document?

8 A At the time we settled with  
9 National, there had been no ruling from  
10 Judge Swain as to whether they had a  
11 secured lien or not. At that time, we  
12 settled the claim with them as we were  
13 prepared to do with others at the same  
14 time. And that included, you know,  
15 settling the fact that they may have a  
16 secured lien.

17 Q Does that PSA with National  
18 have a fiduciary out?

19 MR. MERVIS: Objection to  
20 the form. You could answer.

21 A I don't believe so. It has  
22 outs in it. But I don't believe it has a  
23 fiduciary out.

24 Q Do you know why it doesn't?

25 MR. MERVIS: Objection to

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2 the form.

3 A Not every PSA has a  
4 fiduciary out. That simple. There's  
5 reasons to put one in. We have outs.  
6 They have outs here. It's not a  
7 fiduciary out. If Judge Swain says that,  
8 as you know, the reimbursement claim is  
9 not a valid claim, they still have to  
10 proceed. They don't have an out. We  
11 don't have an out for that. And if she  
12 says that they are not -- well, there's  
13 several outs and other provisions. But  
14 there isn't -- my recollection is there  
15 isn't a fiduciary out in that agreement.

16 Q Well, you just referenced  
17 that Judge Swain, if she doesn't approve  
18 the reimbursement claim, but that's just  
19 one element of several elements of that  
20 PSA, isn't it?

21 A Yes, although they don't  
22 get -- remember the reason that they gave  
23 up their CVI was in part because they  
24 were getting the reimbursement claim.  
25 That doesn't step back in. That deal, as